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TITLE PAGE

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UNDERSTANDING THE CAUSES OF INFORMAL AND FORMAL DISCRETION IN THE DELIVERY OF ENTERPRISE POLICIES: A MULTIPLE CASE STUDY

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Abstract

This research investigates a relevant gap in the academic literature on enterprise policy, namely the nature of discretion and the causes that permit it during policy implementation. We found in our case studies that the programme workers who deliver policies exerted considerable discretion. Further evidence suggests that the main influences on what we call informal discretion – discretion clearly outside programme objectives – include the design of programme evaluation and audit as well as the influence of evaluators and auditors in these processes, and formal discretion – discretion allowed within programme objectives – through broad and ambiguous policies and procedures. Our findings and theoretical framework illustrate how discretion cannot be so easily curtailed by the market logics and strict rules of the new public management practice. Instead, we conclude that the possibility of reframing policy statements and evaluation as a learning process, from programme successes and failures, would transform our approach to policy implementation. This would require a number of institutional and incentive changes for policy actors and the public.

Keywords: discretion, enterprise policy, policy implementation, SMEs, information systems.

1 INTRODUCTION

Lasswell's (1936) 'Politics: Who Gets What, When, How' provides an appropriate overarching theme for this paper. Policy implementation is a critical, often problematic element in the policy process and an important part of this research domain. Within implementation analysis, the exercise of discretion by policy-implementers – especially those responsible for the delivery of programmes and specific interventions to clients - is vital to the delivery of public services. In many cases, policy-implementers can and do have total control

over the configuration and quality of the services, as well as the capacity to deny or constrain access to critical resources. Such discretionary powers are even more significant considering that subsidised services are difficult to find elsewhere. It is the form and causes of discretion by programme workers which we explore in the paper. We examine differences between policy intent and realised delivery in the realm of enterprise policy and public programmes which seek to target improvements to small and medium sized enterprises. The extent of discretion and its effect on policy implementation by programme workers is crucial for policy analysis. Without this knowledge, the capacity to learn from policy design and delivery experience is undermined and the ability to shape future policy initiatives and implementation practices is compromised.

However, despite its importance, there have only been few attempts to research discretion in the implementation of public services for enterprises (Johnson, 2005). In terms of context and focus, research into discretion has mostly been about the Business Link programme provided by the Department of Trade and Industry in the United Kingdom. Established in 1992, this programme aimed to offer a diverse range of services delivered by a network of advisors to companies that showed potential to grow and employ between 10 and 200 people. In this setting, Mole (2002) focuses on the role and behaviour of advisors, emphasising the tacit knowledge that advisors use in delivering services, how they modify policies if they do not agree with them, and the inherent difficulty controlling discretion with numerical indicators. Mole (2002, page 191) emphasised the following:

“The tacit knowledge...confers powers akin to a street-level technocracy, where business advisors have the technical expertise and closeness to delivery that enables them to modify small business policy.”

Other researchers agree that programme delivery involves tacit and subjective work (Bushell, 1995; Lean et al, 1999; Priest, 1999), and the importance of this in the implementation of policy was recognised in a seminal contribution by Lipsky (1980; 2010). He identified tacit and subjective work as an essential condition and a departure point to the study of discretion in public services – from teachers to social workers to judges.

Nevertheless, some discretionary acts by the advisors appear to go well-beyond adaptations to client circumstances and affect the types of services delivered and the selection of companies (e.g. Bennett and Robson, 2000; Lean et al, 1999; Robson and Bennett, 2010; Sear and Agar, 1996). Many of these are significant discretionary changes that redirect the intention of the original policy. Examples are numerous – a focus by advisors on services requiring a high ratio fees for man-hours delivered by the advisors themselves (Robson and Bennett, 2010), targeting companies with the greatest ability to pay outside of the normal company size criteria (Priest, 1999), the impact of personal skills and experience of advisors in determining priorities (Mole, 2002), and including companies simply to reach programme targets (Turok and Raco, 2000). In general, the areas of charging strategies for advisory services and the reward and career development for advisors interact and can influence the intervention choices and the deviation from policy intent (Priest, 1999; Robson and Bennett, 2010).

In most cases, research on discretion in enterprise services have focused on the way discretion has been ‘exercised’, for instance by distorting types of service and targeting guidelines, as well as why advisors ‘opt’ to exert discretion, for example due to the influence of fees and targets. However, beyond acknowledging the difficulty in controlling the tacit nature of the advisors’ work, there has been little attempt to research the complex underlying mechanisms in the policy system that ‘permit’ discretion. Our research fills this important gap by empirically contrasting two theoretical stances that differ in explaining the existence and extent of discretion in public services, as well as the systemic reasons which permit it. These

theories have been applied to other public service areas such as social work, education and justice but not to enterprise policy. We extend and adapt these theories for the study of cases of programme assistance to enterprises. Consequently, our research questions are threefold: Was there discretion in the cases? If so, what was the extent of the discretion? and what were the underlying causes which allowed or impeded the practice of discretion? From these questions we set out to understand both theoretical and policy implications of discretion.

The structure of the paper is as follows. Following this introduction we review and extend the two positions on discretion in order to build the theoretical frameworks for the research. After this, we explain the research design and present the case outlines and results. The research design considers the definition of the programmes' scope of action, which is used to assist in examining discretion in the programme activities. Following an analysis and discussion employing our two frameworks, we conclude by reviewing the findings and identifying the theoretical and policy implications.

2 THEORETICAL FRAMEWORKS

This section is organised into two strands of literature that diverge in their theorization of the extent, nature, and influence on discretion. The first position points to the existence of discretion in the delivery of public services and various contextual reasons for it, namely the evaluation and audit outcomes as well as the design of broad and ambiguous policies and procedures. The second view argues that discretion has been or will be curtailed through market-oriented forces and strict policies and procedures. We consider the similarities and differences of the frameworks for guiding our empirical research throughout.

2.1 Existence of Discretion

Various academics claim that there is a widespread and systemic discretion in the implementation of public services, suggesting that policy-implementers, sometimes called

street-level workers or bureaucrats, in effect make policy (e.g. Ellis et al, 1999; Hertogh, 2009; Juma and Clarke, 1995; Lindblom and Woodhouse, 1993; Lipsky, 1980; 2010; Long, 1999; Maynard-Moody and Musheno, 2003; Pitts, 2007; Winter 2000). This duality of roles is clearly stated by Lipsky (1980, page xii):

“The decisions of street-level bureaucrats, the routines they establish, and the devices they invent to cope with uncertainties and work pressures, effectively become the public policies they carry out.”

This position suggests that policy-implementers have considerable influence on the services delivered. More benevolent than the later position, for Lipsky and these researchers policy implementation is an “on-going, socially constructed, and negotiated process, not simply the execution of an already-specified plan of action with expected outcomes” (Long, 1999, page 4). Likewise, Lindblom and Woodhouse (1993, page 11) state that policy-making is a “complex interactive process without beginning or end”.

Expanding from and on this work, we consider that discretion can be usefully conceptualised in terms of the systemic influences and practices within the policy making and administrative processes which allow it. These influences can produce either formal or informal discretion, as we call them, depending on whether the actions of programme workers fall into the programme objectives or not, respectively. Informal discretion is created by a lack of accurateness and focus of the evaluation and auditing practices as well as the influence of evaluators and auditors in these processes. Formal discretion is originated by the effect of broad policies and procedures. This conceptualisation is depicted in Figure 1 and provides a basis for further discussion (Vega and Brown, 2011)¹.

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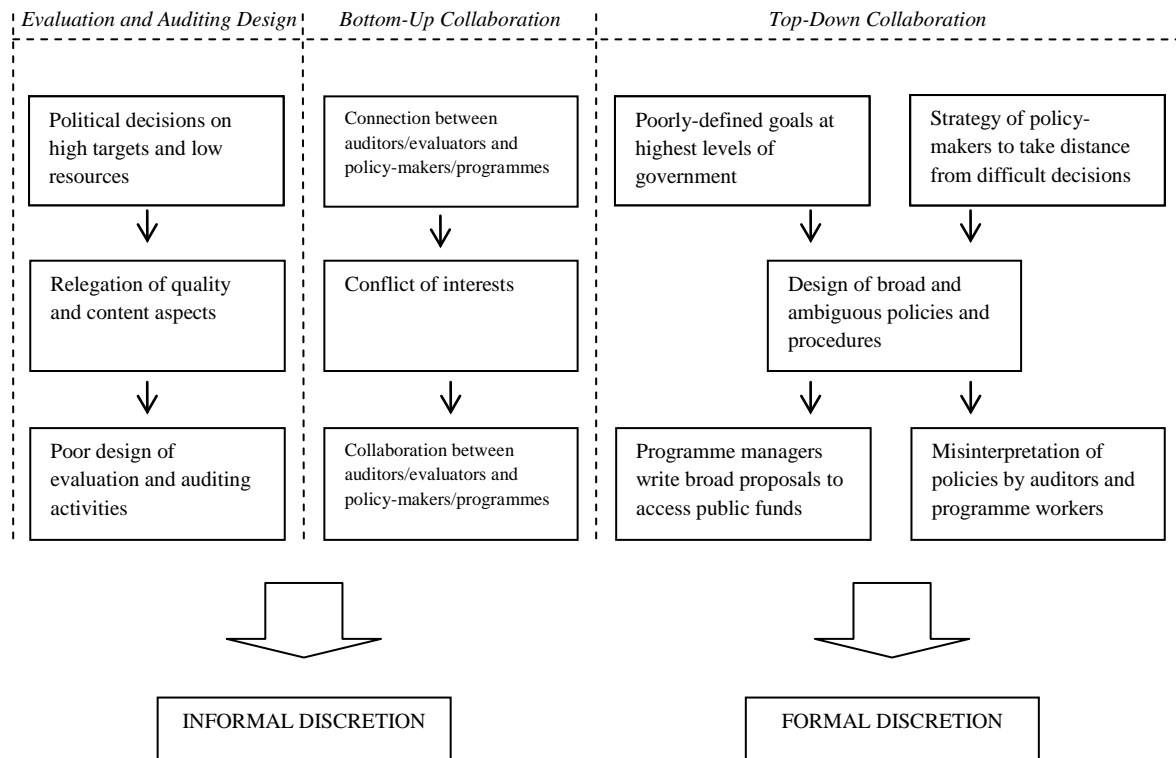


Figure 1. Conceptual framework for systemic influences on discretion

2.1.1 Informal Discretion: Evaluation and Auditing Design

The design of accurate and comprehensive auditing and evaluation approaches is an important part of shaping street-level workers' activity and encouraging its relationship to policy goals. However, political pressures and influences can affect the core aims of these processes towards objectives of high quantity of services and efficiency in the use of resources (e.g. Lewis and Glennerster, 1996; MacDonald, 1990; Talbot, 2005). While not particularly a problem in all cases, these priorities increase the possibility that evaluation and auditing activities will shift away from measures that more accurately reflect whether policy goals are being met through implementation, towards measures that are simple and politically palatable such as the quantity of companies assisted and the amount of money spent (Lipsky, 1980; 2010). These measures can affect informal discretion - discretion that is beyond policy statements - because they fail to capture the content of policy implementation, but simply quantitative indicators.

2.1.2 Informal Discretion: Bottom-Up Collaboration

Beyond the use of measures that portray implementation in a simple light, informal discretion is also encouraged if the organizations in charge of the evaluation and audit of public services are associated and sympathetic with either the organizations that formulated the policies or the organizations that deliver the services, thus creating actual and perceived conflicts of interest (Curran et al, 1999; Matlay and Addis, 2003; Storey, 2006). The result can be evaluators and auditors who are prone to ignore important aspects of the services actually delivered by policy-implementers.

In extreme cases, policy-implementers are themselves in charge of the evaluations. Other examples could be when the auditing entity is dependent on the public service organizations, or the evaluator is contracted by an organization that took a leadership role in the policy-making process. Storey (2006, page 272), expressed the following regarding these connections:

“There is a risk that their ‘independence’ [of the public service organizations] may be impaired through this closeness, and the real risk of evaluators being subject to ‘capture’ ... [The specialists of government] would also be likely to be influenced by political considerations than specialists from outside government ... The business [of the specialists outside government] depends upon a future flow of contracts, probably from the same department of government.”

2.1.3 Top-Down Collaboration

Discretion could also be facilitated from the top of public governance if policies and procedures are broad and vague. In this case, policy-implementers are excessively free to judge and define the nature of the interventions for each case (e.g. Bannock and Peacock, 1989; Bovens et al, 2006; Dahler-Larsen, 2005; Edelman, 1977; Hasenfeld and English, 1974;

Landau, 1973; Moynihan, 1969). Such situations are formal discretion because they are sanctioned through the written policies themselves, and not informal discretion which occurs through inadequate evaluation mechanisms and measurement which allow discretion even in cases of clear rules.

Many authors agree in the intentionality of this kind of policies and procedures (Ellis et al, 1999; Harrison, 1998; Hill, 2009; John 1998; Lindblom and Woodhouse, 1993; Wells, 1997). They argue that both policy-makers and policy administrators could use extensive and ambiguous policies and procedures as a strategy to distance themselves from the consequences of the complicated decisions to balance demand, needs, and resources.

Formal discretion can occur in two ways. The first, we argue, is when broad policies and procedures are exploited by the organizations that deliver public services if they wrote broad proposals to access public funds. The second is generated by the vague phrases in the policies and procedures (Evans and Harris, 2004; Handler, 1973; Lewis and Glennerster, 1996; Scott, 1990), which could generate misinterpretations and be used by the public service organizations to circumvent audits and evaluations (e.g. Prottas, 1979).

2.2 Reduction of Discretion

A second view of discretion is to argue that it will eventually disappear, except in special cases, explained by a shift in power in favour of policy-makers and administrators over street-level workers (e.g. Carey, 2008; Clarke and Newman, 1997; Howe, 1986; 1991; 1996; Jones, 2001; Lymbery, 1998; Taylor, 2007). The argument is based on the new public management (NPM) paradigm (e.g. Barzelay, 2002; Hood, 1991). Basically, most discretion is curtailed by market-orientated structures and stringent rules. This conceptualised framework is presented in Figure 2.

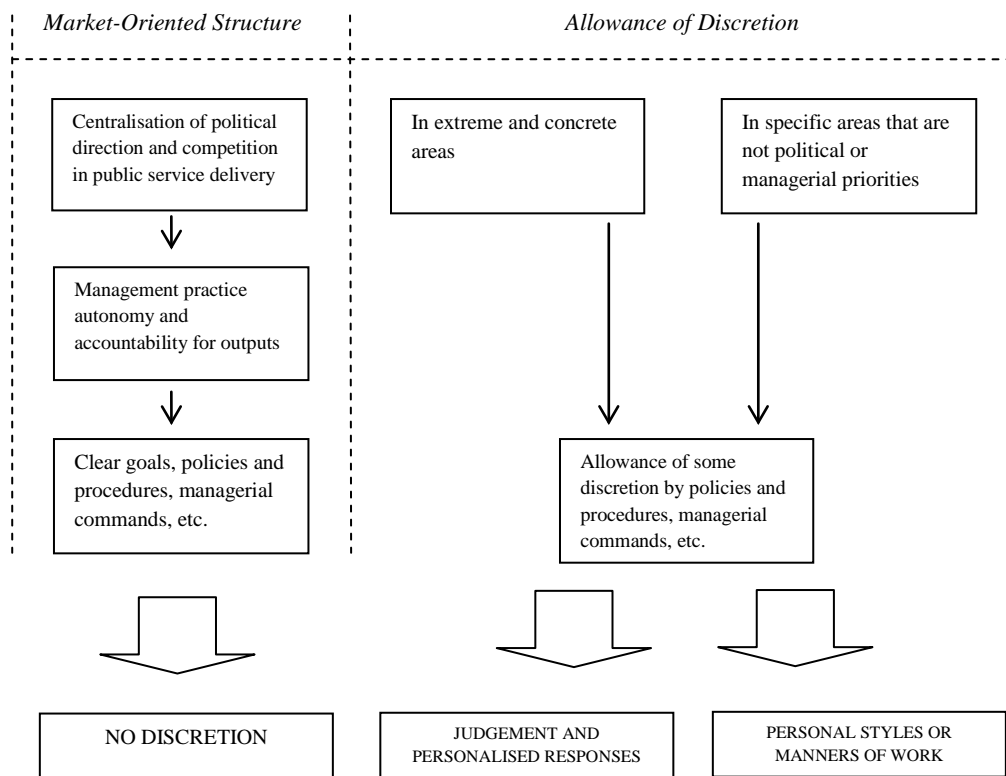


Figure 2. Conceptual framework for the NPM effect on discretion

According to NPM theory, the shift in power towards policy-makers and policy administrators is the result of the centralisation of political direction and the introduction of competition in the delivery of public services, including the contracting out to private providers. Under such arrangements the accountability and resource allocation are more focused on output measurements, instead of inputs and process controls as in the past. In line with a more accountable system, there are clearer goals, policies and procedures, more concrete managerial commands, pre-determined evaluative indicators, as well as detailed statutes and legislation that create agencies and clients.

Arguably, the most developed and consistent work that describes the curtailment of discretion in public services is Howe (1986; 1991; 1996). Howe (1996, pages 93 and 91) synthesises the drivers and form of street-level work as follows:

“Less and less is the [street-level worker] likely to respond with a tailor-made, professional intervention based on his or her own knowledge and skills. There is no requirement to explore the causes of behaviours and situations, only the demand that they be described, identified and classified ... [street-level workers] are not encouraged to have independent thoughts but are required to act competently.”

Although arguing broadly against discretion, Howe (1991) does suggest that discretion is allowed in extreme and concrete areas in which the only possibility is the use of judgement and personalised responses by street-level workers, for example counselling in cases of terminal illnesses, and also with personal work styles or practices in specific situations that do not affect political or managerial priorities. For instance, a social worker could decide between using one-to-one approaches or group therapies, assuming that both alternatives would get similar results and have the same cost.

Next, we present our research design including the concept of the scope of action of the programmes to assess the existence and extent of discretion in the public interventions.

3 RESEARCH DESIGN

To consider discretion, we examine multiple case studies of programme assistance for information systems (IS) initiatives in small and medium enterprises (SMEs). Case studies are used when the phenomenon under investigation depends on complex contexts and this complexity requires multiple sources of evidence (Robson, 2002; Yin, 2009). Our theoretical frameworks demonstrate the complexity of the factors affecting discretion as well as the need to gather data from multiple sources in order to understand the influences on it.

The unit of analysis was the programme intervention, specifically the decisions and actions of programme workers (PWs). The analysis was deductive and based on the pattern-matching method, comparing empirically-based patterns of outcomes with predicted ones across our

two theories (Campbell, 1975; Trochim, 1989; Yin, 2009). We identified four programmes which served eight SMEs in the North West of England. The number of cases permitted us to use literal replications across the cases where there were similar outcomes, and theoretical replications in the cases where there were different outcomes but for predictable reasons (Yin, 2009).

In terms of the detailed data collection about the programme interventions, we employed several methods and sources including semi-structured interviews with all the SME decision-takers and PWs involved in the interventions. In addition, we accessed support data such as the contracts between the programme organizations and funding bodies, proposals to the SMEs and programme assistance files. Finally, we collected additional contextual data on the wider systemic influences which impacted on discretion. Specifically, semi-structured interviews were carried out with managers of diverse programmes and with previous IS regional policy managers, as well as access to diverse material including economic policy documents and manuals for the management of policies and public funds.

Discretion by its nature is a highly sensitive topic since individual's judgement and interests are exposed. Our approach was to be well briefed in advance about policies, programme intentions and the organizations that participated in the cases, and be sure that our interviewees were aware of this and our sources. This approach worked well and a high level of cooperation was achieved. The triangulation of diverse sources of data strengthens the validity of the individual pieces of information used in the cases as well as our final conclusions about discretion (Denzin, 1970; Mathison, 1988; Patton, 1987).

A prerequisite to the theoretical analysis is to understand what programme organizations are meant to do when they implement particular programmes. This is necessary to have a solid foundation to determine the existence and extent of discretion in the programme activities.

For this reason we defined the concept of the scope of action (SOA) of the programmes. In general, there are three types of policies that programme organizations must address when they implement public programmes. The programme activities to address these policies are contractually agreed with the funding administrators, on behalf of the funding bodies, when they award public funds. These contracts encapsulate the programmes' SOA.

First, programmes have to meet specific policies of the economic policy frameworks, such as the Single Programming Documents of the Directorate-General for Regional Policy (DG RP) of the European Union, the policies of the Department for Business, Innovation and Skills (BIS) of England, or the Regional Economic Strategies of the English regions. For example, the Regional Economic Strategies normally consider functional areas (e.g. information systems or entrepreneurship), priority sectors (e.g. nanotechnology or aerospace) and cross-cutting themes (e.g. gender or the environment).

Second, programmes have to use the application criteria of the funds that are awarded, such as the European Regional Development Fund of the DG RP, the Higher Education Innovation Fund of the BIS, and the Regional Development Agency Fund for the English regions. For instance, the European Regional Development Fund is oriented to production investments in geographical areas with structural difficulties which constrain economic development.

Third, the programme organizations themselves define some aspects of their proposals which differentiate them in their competing for funding, for example subject areas (e.g. strategic planning or systems design), types of services (e.g. consultancy or coaching), delivery methods (e.g. call centre or face-to-face), target clients (e.g. cross-sector companies or sector-specific companies) and service providers (e.g. programme employees or third-party providers).

In our study, the determination and degree of discretion will be based on the comparison of the SOA of the programmes with the services actually delivered in client cases.

The initial case results on discretion are presented next, followed by the analysis.

4 CASE OUTLINES AND INITIAL RESULTS

We use pseudonyms to identify the programme organizations, public programmes and SMEs that participated in the research. Two tables provide the necessary data. To begin, Table 1 presents descriptive information about the SMEs - the name of the eight SMEs that received public assistance, the nature of their activities and the IS initiatives that they wished to develop with public support.

| SME Assisted | SME Activity | IS Initiative |
|--------------|---|--|
| JVentureCo | Building supply sector reseller | An e-marketplace for the sector |
| CastingCo | Casting and extras agency | An intranet application to manage the interaction with actors and customers |
| RecruConstCo | Recruitment agency for the construction sector | A portal-based, self-service application for employers and candidates |
| RecruTrainCo | Human resource services for multiple sectors | An online training forum, improvement of the website's functionality and appearance, and development of further intranet functionality |
| LanguagesCo | Intermediary of language services | An intranet application to manage the interaction with language service providers and clients |
| FuelCo | Distribution of Liquefied Petroleum Gas engine parts for the conversion of truck diesel engines | A database to compare consumptions of fuel and costs, graphic presentations, and commercialisation of the aggregated data of fleets |
| ConstCo | Project management in the construction sector | Improvement of the informational website and the integrated work of the information technology platforms |
| RingsCo | Manufacturer and supplier of closing rings | Improvement of the informational website |

Table 1. SMEs and their IS initiatives

Table 2 identifies the four programmes that assisted the SMEs, their SOA and the services actually delivered. The public programmes PP-ELearning, PP-MultiServe and PP-Marketing were run by the programme organization MNGTASSIST and the public programme PP-ICTServe was run by ICTASSIST. The programme organizations are experienced outreach units of a university.

| SME Assisted | Public Programme | SOA of the Programme | Actual Delivery |
|---------------------|-------------------------|--|--|
| JVentureCo | PP-ELearning | Integrated learning via training, mentoring, and coaching in different business subjects, mainly using e-learning techniques | Marketing and web design consultancy |
| CastingCo | PP-ELearning | Integrated learning via training, mentoring, and coaching in different business subjects, mainly using e-learning techniques | IS services |
| RecruConstCo | PP-MultiServe | Support via consultancy, training, mentoring, and coaching in different business subjects | Marketing consultancy and coaching in strategy |
| RecruTrainCo | PP-Marketing | Marketing support, basically consultancy | Marketing and IS services |
| LanguagesCo | PP-ICTServe | High level knowledge transfer from the department of Computing to information and communication technology (ICT) SMEs | Traditional IS services to a non-ICT SME using non-academic PWs |
| FuelCo | PP-ICTServe | High level knowledge transfer from the department of Computing to ICT SMEs | Traditional IS services to a non-ICT SME using third-party providers |
| ConstCo | PP-ICTServe | High level knowledge transfer from the department of Computing to ICT SMEs | Traditional IS and ICT services to a non-ICT SME using third-party providers |
| RingsCo | PP-ICTServe | High level knowledge transfer from the department of Computing to ICT SMEs | Traditional IS services to a non-ICT SME using non-academic PWs |

Table 2. Programmes' SOA and actual delivery

These organizations have been running numerous programmes using different funding streams, specifically the European Regional Development Fund (ERDF), the Regional Development Agency Fund (RDAF) and the Higher Education Innovation Fund (HEIF).

With regard to funding bodies, The ERDF has been funded by the Directorate-General for Regional Policy, the RDAF has been funded by Her Majesty's Treasury, and the HEIF has been funded by the Higher Education Funding Council for England on behalf of the Department for Business, Innovation and Skills.

The next section is the analysis and discussion of the cases based on the data, SOA of the programmes and the theoretical frameworks. We complemented the case data with contextual information of the policy system.

5 ANALYSIS AND DISCUSSION

The analysis in this section draws initially on Table 2 to compare intended SOA with actual delivery. According to our theoretical framework which states that discretion exists, Figure 1, discretion is exercised not only when there are differences between SOA and delivery, i.e. informal discretion, but also when the services delivered are part of the SOA of the programme, i.e. formal discretion. The relationship between SOA and actual delivery could also be the result of the market mechanisms and strict rules of the NPM framework, Figure 2. Hence, the analysis of the policy contexts around the programmes is critical to determine the validity of the frameworks given specific outcomes of discretion. We present the analysis by grouping the cases with similar outcomes and explaining the possible causes for this, for example cases that presented informal discretion.

5.1 Informal discretion

From Table 2 there are three cases in which the PWs exercised informal discretion - JVentureCo, CastingCo and RecruTrainCo. In each case the delivery was considerably different from the SOA of the programmes, which affected the functional areas, types of service and delivery methods. For example, the decisions of the PWs to change the assistance

for JVentureCo from “integrated learning using e-learning techniques” to “marketing and web design” constituted a marked distortion of the SOA.

5.1.1 Informal Discretion: Evaluation and Auditing Design

The pressures for delivering a high quantity of services, away from policy goals and quality of programme delivery, towards the consumption of resources (e.g. Lewis and Glennerster, 1996; MacDonald, 1990; Talbot, 2005) is evident in the case studies. A clear example was the assistance to JVentureCo. This SME had an extremely complicated requirement for the programme. In short, the SME asked to increase the web traffic and the conversion and retention rates of clients based on modifications of its e-marketplace. This was agreed and a PW was allocated. However, this marketing and web design consultancy took only 5 man-days including visits, definition of requirements and services, proposal, the consultancy itself, customer report, presentation and administrative tasks.

The explanations offered by the programme managers of MNGTASSIST and ICTASSIT were effectively the same. Both emphasised that they had very high targets and insufficient financial resources from funding bodies to deliver programmes consistent with their SOA. The programme manager of MNGTASSIST explained the following regarding the availability of resources:

“No, in those [complicated] circumstances [the assistance] wouldn’t include all these services, because for each of these programmes we have to work with a given number of companies ... For each of these companies we have to provide what is called an ‘assist’ ... An assist is somewhere between 2 and 5 days of consultancy or business support ... It is not financially viable to give them more than this.”

Referring to the high targets, a PW of MNGTASSIST commented:

“There was a lot of pressure to hit the targets ... This meant that we were just trying to find as many companies as we could, not to say ‘no’ to anybody because we were so desperate to get companies signed up to assist.”

As a case of informal discretion, we confirmed the negative effects of stretching targets and tiny resources in the evaluative designs. Certainly, the evaluations measure only these two aspects. Apart from strict financial controls, the evaluation mechanisms of the ERDF and the RDAF considered as outputs the number of companies assisted, as well as the increase and safeguarding of sales and jobs. In addition, these programmes needed very basic conformity letters from the SMEs stating the degree of satisfaction with the services. The HEIF used only the number of companies assisted. Actually, there were no evaluation tools mandated by the funding bodies that informed what actually happened in the initiatives of the SMEs or in the programme interventions, clearly allowing the possibility and realization of informal discretion.

5.1.2 Informal Discretion: Bottom-Up Collaboration

Informal connections between the auditors and the organizations that designed the policies or delivered the services were also evident in the case studies, thus probably affecting the auditing and evaluation outcomes (Curran et al, 1999; Matlay and Addis, 2003; Storey, 2006). This is relevant since the aggregated information collected by auditors is in many cases used to evaluate programmes.

Regarding the ERDF programmes, the administrative tasks related to the knowledge exchange initiatives of the Single Programming Document in the North West of England were charged to the Northwest Universities Association. As a result, the universities involved in the delivery of the knowledge exchange programmes were also responsible for the auditing and control procedures. Similarly, the Regional Development Agencies had the political

leadership and responsibility for the development of the Regional Economic Strategies. Part of this strategy included the RDAF programmes which they directly audited and controlled. Finally, the situation of the Higher Education Funding Council for England was special because they are effectively non-departmental public body acting in distributing and managing funds within the university sector.

While these connections do not necessarily lead to compromised audits, there is some evidence for this in the cases. For example, a regional IS policy manager commented that the auditing activities were carried out by contract managers who frequently “do not care about business and technology”, but rather focus on “the existence of outputs and financial documents”. The programme managers of both MNGTASSIST and ICTASSIST also confirmed the auditing focus on overall numbers and spend as opposed to the match between programme goals and delivery. For instance, the programme manager of ICTASSIST commented in relation to the auditors:

“As long as the auditors see that you provide an assistance that is relevant and they see that you are hitting the targets and spending the budget correctly, it isn’t necessarily an issue if it doesn’t follow to the words that you said you were doing in the bid.”

The possibility of informal discretion is thus both possible and evident in the cases.

5.2 Formal discretion

In terms of formal discretion through broad or ambiguous policies and procedures, there are examples of both within the cases. Let us start with the case of broad policies. In Table 2, despite the assistance of PP-MultiServe to RecruConstCo having no informal discretion, formal discretion is certainly more likely through a broad SOA that effectively allowed any programme activity to be consistent with the policy. The SOA of this programme referred to different business subjects such as marketing, strategy and web presence delivered through

consultancy, coaching, training or a combination of these. As we might expect, the assistance given to RecruConstCo for marketing consultancy and strategy coaching was consistent with the extensive SOA.

In line with this, the programme manager of MNGTASSIST expressed that they write their proposals to the funding administrators using broad SOAs for the programmes, in order to have freedom to define the interventions for each SME. They call these proposals “permissive bids” and the services delivered to SMEs “demand-led services”. Similarly, a PW of ICTASSIST mentioned that they develop “big proposals” to access public funds. He added that “you get an amount of money and then you do what you want”.

There are four cases that presented formal discretion because of ambiguous policies, specifically in the assistance under the PP-ICTServe programme to LanguagesCo, FuelCo, ConstCo and RingsCo. To begin, the comparison of the SOAs with the actual deliveries signal that discretion had been exercised. For example, it seems that in the assistance to FuelCo there were changes in the subject area (from “high level knowledge transfer” to “traditional IS services”), service provider (from “the department of Computing” to “third-party service providers”) and target clients (from “ICT SMEs” to “non-ICT SMEs”). The three other cases exhibit similar changes. However, an analysis of the policy addressed by PP-ICTServe suggests that the ambiguous way this is framed gave rise to formal discretion. The policy is part of a Single Programming Document (Government Office for the North West, 2001, page 232):

“This measure aims to enhance the region’s competitive position by supporting innovation activities, especially those linked to advanced research and development and knowledge transfer initiatives, through the development of innovative business networks.”

This suggests a short, vague and far-reaching statement regarding what programmes can do to deliver advanced innovations facilitated through inter-organizational networks. In addition, further on in the policy statement the areas of intervention and indicative actions extended more the ambiguity of the policy, including “SME links with the higher education sector, development of advanced e-commerce solutions, gateway/portal internet/websites, innovative services and applications provided by advanced digital networks, technology management projects, business advisory services, research projects based in universities and research institutes, and innovation and technology transfer” (Government Office for the North West, 2001, pages 243-245).

It is not surprising therefore that multiple interpretations of this policy were possible. For example, the specific outcomes in the assistance to ConstCo were the improvement of the website and a very brief report about the information technology platforms. The justification for this delivery for both the auditors and the PWs was connected to the phrases “SME links with the higher education sector”, “development of advanced e-commerce solutions”, “gateway/portal internet/websites” and “technology management projects”. Compared, however, to the primary statement for the aims of the policy, the intervention in ConstCo was neither ‘advanced’ nor ‘network based’. In fact, the support required only some few man-days and very simple services. Similar analyses follow for LanguagesCo, FuelCo and RingsCo.

The above outcomes were clearly different from the core policy statement in the four cases and discretion was exercised by the ICTServe programme managers and workers. As explained above this discretion is arguably legitimated by the ambiguous policy. Alternatively, if judged against the entire policy description, the outcomes could be viewed as a misinterpretation. This reality of different but valid interpretations of policy is one of the hall marks of formal discretion (Evan and Harris, 2004; Handler, 1973; Lewis and Glennerster, 1996; Scott, 1990).

In summary, in terms of formal discretion in Figure 1 the cases provide convincing evidence of top-down discretion arising from both broad policies, including the role of programme organizations to take advantage of this, and from ambiguous policies leading to multiple interpretations.

6 CONCLUSIONS AND CONTRIBUTIONS

This research addresses an important gap in the literature of enterprise policy, namely the determinants that ‘permit’ discretion during policy implementation. We have gone beyond the difficulty in controlling the tacit nature of the PWs’ job (e.g. Bushell, 1995; Mole, 2002), and the way discretion is ‘exercised’ (e.g. Lean et al, 1999; Robson and Bennett, 2010) and a focus on the factors that make PWs to ‘opt’ for discretion (e.g. Priest, 1999; Turok and Raco, 2000), to an analysis of the broader policy system around programme work which allow discretion.

To do this, we looked in detail at the experiences of eight SMEs in receipt of public assistance and focused on the nature and influences on discretion in these cases. To assist our data collection and analysis, we constructed multi-disciplinary theoretical frameworks to guide the research, drawing upon literature from political science and public administration (e.g. Bovens et al, 2006; Howe, 1996; Lipsky, 2010; Talbot, 2005), SME research (e.g. Curran et al, 1999; Storey, 2006), developing the concepts and causes of informal and formal discretion, as well as considering the scope of action for programmes to detect and assess discretion.

The findings are clear. In all eight cases discretion was evident, thus supporting the view that discretion is alive and well in the delivery of enterprise policies, thus challenging the NPM position that discretion has been curtailed through market structures and strict policies and procedures. The types of discretion found in the cases also went far beyond than the allowance of personalised responses or the application of personal styles as argued in the

NPM framework. Instead, our work confirms the letter if not the spirit of Lipsky's view that policy-implementers act as policy-makers through the exercise of discretion. This discretion takes two forms - informal discretion through the design of programme evaluation and audit as well as the influence of evaluators and auditors in these processes, and formal discretion through broad and vague policies and procedures.

From the findings, analysis and discussion there are two contributions to theory, one to method and four to practice. In relation to theory, our conceptualisations of the nature and causes of informal and formal discretion contribute to a classification of the types of discretion. Figure 1 offers a consistent mechanism for understanding the influence of evaluation and audit design and bottom-up collaboration on informal discretion, and the top-down collaboration on formal discretion. Together these two forms of discretion provide a way to understanding whether and why discretion occurs.

Also contributing to theory, and relating to NPM, our results show that the market-oriented structures are effectively present in the context of the cases studied here. However, despite the centralisation of political direction, competition in the delivery of public services and accountability for outputs, these structural changes have not been automatically reflected in tight policies and procedures that could control discretion. This represents a missing link in the NPM theory. On the contrary, it is clear that the competition in the delivery of public services and the accountability for outputs exacerbate the predisposition of programme personnel to apply discretion in order to reach and surpass targets.

Furthermore, more concrete and focused policies and procedures would reduce the role of programme organizations to define the SOA of their programmes, which could minimize formal discretion. However, these changes would not counteract the contexts that permit informal discretion. It means that even a more strict application of the NPM principles would

have a limited effect in controlling discretion. An example of this could be the on-going changes in the United Kingdom's enterprise policy system. Despite many changes, the European and national funding bodies will continue using the same evaluation methods and delegation practices for the administrative tasks, thus not affecting informal discretion.

We conclude that the participants in the policy process formulate misleading evaluation and auditing mechanisms, and develop broad and vague policies and procedures because they are incentivized to keep goals and measures flexible so they meet external expectations. We thus support Evans and Harris (2004, page 871) in their view of "the (exaggerated) death of discretion". Given the shortcomings of the NPM theory, a broader understanding of the political context around discretion requires greater attention and theorization than simply a market-forces model and a focus on stringent policy rules. Our study is a first step in this direction.

Methodologically, the introduction of the concept of programmes' scope of action (SOA) allows us to detect and consider discretion as a deviation from programme goals through the decisions and actions of PWs. In the research of enterprise policy implementation, a clear SOA is important in determining informal discretion, and a broad or vague SOA is important in determining formal discretion. The combination of the conceptualised frameworks and SOA enriches our ability to understand discretion in the enterprise setting.

In practical terms, our results offer several immediate possibilities, but with longer term implications. Given the nature of informal discretion, evaluation and auditing activities should be more reflective of the complexity of programme designs and impacts on recipients, and not only tied to easy measures and targets such as spending counts. For all the funding streams in this research, the measures were simple and inadequate reflections of serious programme goals or societal directions. A possibility of improvement is the incorporation of qualitative

approaches as formative evaluation. This could be done as a complement to the employment of quantitative methods (e.g. Curran and Storey, 2002; Lenihan et al, 2007), and only when the areas affected by the policies are unfamiliar or the policies themselves are new (e.g. Beckinsale and Ram, 2006; Sanderson, 2002).

In relation to this, auditors and evaluators need to be more independent of policy actors, since in many cases, organizations connected with policy-makers or programme organizations are in charge of the evaluation and audit. Perhaps related to NPM, competition requires accurate and honest information about programme quality and impact, and information influenced or collected by those with conflicts of interest does not permit fairness, learning or corrective actions. A plausible alternative could be the creation of a non-departmental public body in order to remove political interferences. This organization should be in charge of evaluating the programmes oriented towards enterprises through its own pool of evaluators or contracting out private specialists (Vega et al, 2012).

In terms of formal discretion and related to our discussion of informal discretion, it is relevant that policy and programme goals are concise and clear not only on their own, but in their relationship with other policy objectives. Similarly, higher-level policy statements that may be necessarily broad and ambiguous require additional and justified operational procedures to guide measurable and eventually successful programme delivery. With this, unnecessarily vague programme responses would be evaluated on their impact in particular areas and criticised on their ability to address policies. In this way we can be collectively serious about measuring public spending and programme organizations' capabilities.

However, all of this is easier said than done, and the competitive and combative model of the NPM in place may do little to help the situation. In contrast, we suggest that to improve the policy systems around programmes, the attitude towards evaluation must change from being a

necessary evil and a marketing exercise which is allocated little resources, towards an opportunity to learn from both the successes and failures of designing and delivering enterprise policies. A change towards this learning attitude requires policy-makers to be self-correcting and acknowledge and reward programme organizations for doing the ‘right things wrong’ (i.e. interventions which attempt but fail to deliver policy goals), as opposed to doing the ‘wrong things right’ (i.e. spend funds and reach targets by changing policy goals). Perhaps only then can we view PW discretion as necessary for the professionalism required to address the inherent variety in organizations.

Having concluded all of this, our theory-directed multiple case study suffers from a number of limitations inherent to positivism and when compared with interpretive approaches. This suggests a need for future research which we will discuss subsequently. In positivist terms, the limitations include the use of particular theories and the difficulty generalizing from case studies of the domain of enterprise policy to other settings. At the same time, the ability to dig into the interpretive data for richer and in-depth social constructions is constrained by the need to span and analyze the data in less detail. This need for further research includes studying the nature and influences on discretion through both in-depth case studies and survey methods – perhaps even experimental and comparative studies which explore what people do when confronted with diverse incentive mechanisms in different policy areas.

In addition, the specific context in which we have studied discretion – enterprise policy in the United Kingdom – requires further work to confirm or extend the general applicability of our framework. This is especially important as the country continues to undergo changes in its policy and programme contexts with for example, the laying down of the Regional Development Agencies and the Business Link’s advisory network, and the creation of the Local Enterprise Partnerships and the Solutions for Business bundle of services. As

mentioned, these changes do not seem to affect informal discretion, at least, but it would be pertinent to confirm this.

Further work will also have to consider discretion within the broader view of business support programmes as only one part of the portfolio of resources needed to introduce innovation and knowledge transfer into organizations. This suggests that informal and formal discretion – somewhat problematized when compared with official policy statements in our framework – may be further explored and justified by the complex environments of organizations and programme workers.

To conclude, the interest of governments for the SME sector will continue given the embeddedness of the SMEs in the economy, the successive changes to the support and regulative landscapes as well as the internationalization of these practices (Blackburn and Smallbone, 2011). In this varied and rapidly changing context (Vega et al, 2012) the importance of informal and formal discretion, the role of evaluation and clear policy goals look to remain unchanged. But our understanding of discretion, as legitimate or not, as well as the particular policy contexts and the generalized influences that affect it will require constant rethinking.

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